

State of Alaska FY2003 Governor's Operating Budget

Department of Transportation/Public Facilities State Equipment Fleet Budget Request Unit Budget Summary

State Equipment Fleet Budget Request Unit

Contact: Frank T. Richards, Statewide Maintenance Engineer

Tel: (907) 465-3906 **Fax:** (907) 586-8365 **E-mail:** Frank_Richards@dot.state.ak.us

BRU Mission

The mission of the Statewide State Equipment Fleet (SEF) is to replace, maintain, and manage state-owned vehicles, equipment, and attachments for safe and appropriate use.

BRU Services Provided

- The State Equipment Fleet is responsible for the management, maintenance and inventory of all state vehicles, equipment and attachments assigned to state agencies.
- The regional SEF components provide maintenance, repair and servicing of state equipment at maintenance and operations shops, remote rural airport stations, and roadside locations throughout Alaska. Preventative maintenance, safety and vehicle emission inspections, parts procurement, and inventory control are provided. Equipment is evaluated and specifications are prepared in coordination with SEF Headquarters for the equipment replacement program. New vehicles, equipment and attachments are received, checked in and issued to using agencies.
- State Equipment Fleet manages the Highway Equipment Working Capital Fund (HEWCF), purchases new equipment and vehicles for all state agencies, and provides administrative support including, but not limited to: policies and procedures, financial reporting, computer systems, training, billing of HEWCF charges, and coordination between regional SEF components.
- State Equipment Fleet evaluates excess equipment and sells at auction or assigns to an appropriate alternative use.

BRU Goals and Strategies

Effectively manage the Highway Equipment Working Capital Fund to insure sufficient revenues for purchasing and maintenance of equipment and vehicle needs in future fiscal years.

Maintain sufficient cash flow in the Highway Equipment Working Capital Fund, following Generally Accepted

- Accounting Principles, for equipment maintenance and replacement.
- Prepare a rate structure that allocates costs fairly and will allow for no financial gain or loss (break even) on operating activities and produce sufficient revenue to cover operating overhead on the replacement, fuel payment and daily rental programs

Provide a well-equipped, cost-effective fleet for all state agencies.

Coordinate equipment maintenance activity statewide for all SEF personnel, improve preventative maintenance

- service and reduce costs for state owned assets.
- Measure effectiveness of equipment replacement program by reducing the percentage of "Z" status equipment (eligible for replacement) to no more than 5 percent of the fleet for both the light duty vehicles and heavy-duty equipment.

Maintain good vendor relations as measured by the number of protests. The goal is to not exceed 1 bid protest annually.

Key BRU Issues for FY2002 – 2003

The State Equipment Fleet (SEF) operates 44 shops and has more than 150 employees that provide general and preventative maintenance and all parts supply. There are approximately 7,600 vehicles accounted for in the fleet information system, with 4,800 vehicles comprised of light duty, heavy duty and attachments under SEF management. The Department contracted with a private fleet management consulting firm to do a broad review and a detailed performance and productivity evaluation of the delivery of fleet services. The consulting report was issued in December 2000. Over the past eight months the review has been evaluated. Almost all recommendations will be implemented starting in FY2002. It will take two or three years to fully implement the approved recommendations.

Major BRU Accomplishments in 2001

- SEF performed all required services during FY2001. Expenses increased 4.1 percent over FY2000 due to increased credit card fuel costs, the cost of the consultant report, and negotiated salary increases. The goal of 80 percent Preventive Maintenance (PM) compliance was met.
- SEF completed the modification of its computer systems to track downtime. For FY2001 downtime for urban, light duty vehicles was 7.8 percent. As of September, the FY2002 year to date downtime for the same group of vehicles was 4.4 percent.
- For FY2001 the rate comparison for SEF versus the *Rental Rate Blue Book* indicated that SEF rates averaged 39 percent of the Blue Book. For FY2002 the comparable figure for the SEF rates was 34 percent.

Key Performance Measures for FY2003

Measure:

Whether 80 percent of the fleet wet rentals are returned to the division as scheduled for preventive maintenance on or before June 30 of the fiscal year.

Sec 147(b)(1) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

State Equipment Fleet (SEF) is performing and tracking preventive maintenance activities. At the end of June 2001 the PM compliance was 80 percent, the objective for that fiscal year. As of October 2001, the regions are experiencing from 78 percent to 95 percent compliance with preventive maintenance schedules. The statewide average is 85 percent.

Benchmark Comparisons:

In *Benchmarking for Quality in Public Service Fleets*, published by the NAFA Foundation and the National Association of Fleet Administrators (1993) the median PM compliance for 90 police and sedan fleets was 96 percent. In the same study the comparable figure for 74 light truck fleets was 98 percent. Melding the two would give a target PM compliance of 97 percent for SEF. Starting with FY2002, the Department will annually increase its compliance objective from the original 80 percent until it reaches the 97 percent level in FY2005.

Background and Strategies:

PM compliance is the most important and most difficult task in fleet management. Regularly scheduled service and inspection of vehicles and equipment is the cornerstone of fleet safety, operating integrity, and low maintenance costs. The main components of a preventive maintenance program are regular, pre-determined inspections that include lubrication and service. Adherence to the schedules will help extend machine service life, improve availability and reliability, and reduce major component repair and replacement expenses.

The SEF foremen and superintendents are provided frequent updates of those vehicles that are due or overdue for preventive maintenance.

Barriers to reaching or surpassing this measure include:

- The failure of the user agency to appreciate the value of preventive maintenance and therefore fail to bring the vehicle in for its inspection when requested by SEF;
- The inability of the user agency to bring the vehicle in if it is being used during the State's limited construction season. This can be alleviated by scheduling preventive maintenance at the end of the construction season or during the winter months when the vehicle is not in use; and
- In FY2001 1,000 attachments (plows, snow wings, etc.) were added to the PM schedule. In FY2003 up to 650 DOT&PF vehicles will be converted from dry to wet increasing the number of PM vehicles. These increases will make it difficult to meet the 90 percent goal for FY2003.

All vehicle-operating departments need to have PM compliance as one of their performance measures.

Measure:

The average down time for light duty, actively used equipment in urban areas.
Sec 147(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

State Equipment Fleet is tracking downtime for light duty vehicles in urban areas. SEF Headquarters developed a computer program to accomplish this. In FY2001 statewide average downtime for light duty, urban vehicles was 7.3 percent. The regional range was from 5.8 to 11.3 percent. For the first three months of FY2002 the downtime rate was 4.4 percent with the three regions ranging from 1.2 to 5.2 percent.

Benchmark Comparisons:

In the 1993 NAFA Foundation study the median downtime rate for 68 sedan and police and 42 light truck fleets was 2 percent.

Background and Strategies:

SEF is responsible for the overall management of the state's vehicle and equipment resources. It is a service organization providing equipment support services to all state agencies. Equipment can not perform its function when it is down for any reason. Fleets must manage this parameter. PM compliance, staffing levels, parts availability, and adequate staff training can affect downtime of a vehicle. Education of staff is essential to assure that data entry for opening and closing dates of work orders are consistent throughout SEF.

Some of the improvement in this measure between FY2001 and FY2002 can be attributed to more accurate coding of the opening and closing dates of the work orders.

The continued increase in PM compliance will help reduce downtime.

Measure:

Number of locations of the state equipment fleet whose rates are equal to or less than the rental rates published in industry guide books.
Sec 147(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

SEF has completed the comparison of the FY2002 rental rates with the current Rental Rate Blue Book for Construction Equipment published by Primedia Directories. A total of 1,478 vehicles in 162 regional rate classes were included in the study. The types of vehicles were light duty, medium and heavy trucks, heavy equipment, support equipment, trailers, and attachments. SEF rates were lower than those in the Blue Book except for two instances. The SEF rates ranged from 5 percent to 107 percent of the Blue Book rates. The weighted, statewide average for all SEF rates in the study was 34 percent of Blue Book. In FY2001 it was 39 percent.

Benchmark Comparisons:

SEF rates should be lower than published rates.

Background and Strategies:

Service and rate competitiveness is central to the measurement of SEF's performance. If SEF service or rates are not competitive, the customer agency should be allowed to seek alternative and documented solutions elsewhere.

SEF should make a more concerted effort to bill its customers for damage. Billable costs are not included in the SEF operating rates.

State Equipment Fleet
BRU Financial Summary by Component

All dollars in thousands

	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
<u>Formula</u>												
<u>Expenditures</u>												
None.												
<u>Non-Formula</u>												
<u>Expenditures</u>												
Central State Equipment Fleet	0.0	0.0	7,174.6	7,174.6	0.0	0.0	7,559.9	7,559.9	0.0	0.0	7,861.2	7,861.2
Northern State Equipment Fleet	0.0	0.0	9,648.8	9,648.8	0.0	0.0	10,287.7	10,287.7	0.0	0.0	10,679.8	10,679.8
Southeast State Equipmnt Fleet	0.0	0.0	1,532.9	1,532.9	0.0	0.0	1,721.1	1,721.1	0.0	0.0	1,805.4	1,805.4
Totals	0.0	0.0	18,356.3	18,356.3	0.0	0.0	19,568.7	19,568.7	0.0	0.0	20,346.4	20,346.4

State Equipment Fleet

Proposed Changes in Levels of Service for FY2003

SEF is implementing the approved recommendations included in the independent fleet review report of 12/2000. Changes include transferring several M&O general fund mechanic positions to SEF and providing SEF services to all departments at the locations where the former M&O mechanics were based. All DOT&PF vehicles that did not receive SEF preventive maintenance and repair will now receive those services in FY2003.

As recommended by the consulting review, SEF is in process of issuing a RFP to upgrade or replace its existing equipment management system.

The PM compliance goal for FY2003 is 90 percent.

State Equipment Fleet

Summary of BRU Budget Changes by Component

From FY2002 Authorized to FY2003 Governor

All dollars in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	0.0	0.0	19,568.7	19,568.7
Adjustments which will continue current level of service:				
-Central State Equipment Fleet	0.0	0.0	156.3	156.3
-Northern State Equipment Fleet	0.0	0.0	219.9	219.9
-Southeast State Equipmnt Fleet	0.0	0.0	54.6	54.6
Proposed budget increases:				
-Central State Equipment Fleet	0.0	0.0	145.0	145.0
-Northern State Equipment Fleet	0.0	0.0	172.2	172.2
-Southeast State Equipmnt Fleet	0.0	0.0	29.7	29.7
FY2003 Governor	0.0	0.0	20,346.4	20,346.4